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National
# Home Center News®

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## *A Special Industry Report*

# CONFRONTING HOMELESSNESS

The image of the homeless has almost always been muddled by stereotype. Most people continue to envision a scraggly, jobless, often mentally deranged bag person, wandering the streets aimlessly, alternately mumbling or shouting to himself in between bouts with the DTs or drug withdrawal.

Serious thought about the problem's root causes often has been drowned out by glib commentary. Former Attorney General Edwin Meese mused, in all seriousness, that homelessness was a matter of choice. Real estate tycoon Donald Trump was quoted as stating that the solution to homelessness was beyond the pale of developers such as himself. An executive with Bergdorf Goodman in New York compared the homeless parked in front of his department store to beggars in Calcutta.

But what once was seen as an aberration or a target for scorn has become a crisis. There are now anywhere from 350,000 to 3.5 million homeless across the nation, with some experts projecting that number soaring to 18 million in 12 years, the equivalent of 7 percent of the current U.S. population.

Obviously, all of these people can't be insane, inebriated or addicted. In fact, a growing segment of the homeless are working poor unable to keep up with the steadily rising cost of housing, particularly in urban centers. Families with children made up one-third of the homeless population in 29 cities surveyed in 1987 by the U.S. Conference of Mayors.

*National Home Center News* examines the issue of homelessness as it is perceived by home improvement dealers, suppliers and contractors. We found that many in the industry are genuinely concerned about this problem, and builders in particular have been laudably active in raising money and renovating shelters and homes.

However, the industry—as a body whose umbilical cord is housing and the policies affecting it—has been surprisingly inattentive to homelessness, either out of frustration with the sheer magnitude of it, or because dealers and suppliers are convinced the industry is better suited to address other, more pressing issues.

There is a growing consensus, though, as we head into 1989 that the homeless problem isn't going to solve itself without widespread activism by individuals, industry and government. The tragedy has shaken more dealers and suppliers to investigate ways to contribute materials and money to organizations aiding the shelterless.

—John Caulfield

*Stories begin on page 15*

*Poverty amid plenty: a homeless man, barefoot and carrying all his worldly goods in two plastic bags, stands alone in a crowd on a southern California street. At left, homeless people last year lived in a tent city on Venice Beach, Calif. Although technically squatters, the Venice Beach police department and city council left the homeless alone because the city had little else to help them with.* Photos by Ron Eggers

# Dealers cautious in giving charity

By Edward McKinley

NATIONAL REPORT — When a man from one "charity" solicited a Midwest home center, he neglected to say the "unfortunate old woman" he wanted to help was his wife.

Scams like these account for only a small portion of the pleas for charity made to home centers. But they underscore the need for caution when doling out contributions.

The sheer volume of requests, averaging from one to five a day and increasing at most chain headquarters, complicates the problem of determining the most deserving recipients, home center operators said.

"What's happening," said Pete Kulynych, a board member of Lowe's, "is when the government money slowed down, there were a lot more requests."

Various companies have responded to the onslaught by appointing committees, naming headquarters charity czars, leaving the decision to store managers or getting hourly employees involved.

In sifting through the never-ending list of charities, home centers generally prefer contributing either to "name" causes, those that relate in some way to their businesses, or those that directly affect their market areas.

For example, the three-store Star Lumber in Wichita,

*(Continued on page 4)*

## *Builders Square shuffles its merchandising assignments*

By Brad Altman

LOS ANGELES — Builders Square, the San Antonio, Texas-based warehouse chain, has shuffled assignments in its merchandise department and eliminated 5,000 stock-keeping units as part of an effort to "attract the female shopper."

Joseph E. Antonini, the chairman of Builder Square's parent K mart, told financial analysts here this month that the 133-unit chain is also "adding more decorative merchandise." He did not elaborate on which items were added or deleted from the chain's inventory mix.

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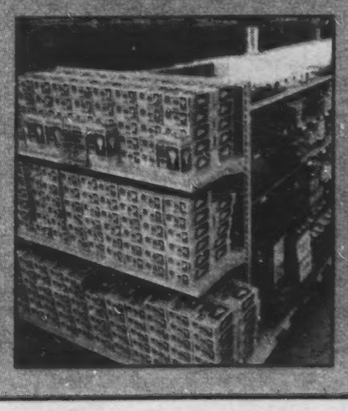

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## NEWSBREAKS

**ECLIPSE DOWN TO ONE STORE:** The St. Louis-based owner of B&B Home Supply shut its St. Ann, Mo., unit Dec. 6. That leaves only the store in Arnold, Mo., for Eclipse, which is currently in Chapter 11. A bankruptcy court would decide on Dec. 19 if Eclipse should receive any more funding from its lender bank, which has been pumping money into the stores since the summer. "We are funded [through] Dec. 20," said Eclipse attorney Stuart Radloff. "What happens beyond that is anyone's guess."

## INDUSTRY UPDATE

### Judge sets date to hear unfair trade charges against Makita

SEATTLE — A U.S. District Court Judge has slated a May 1989 trial to decide charges of unfair and disparaging competition against Makita USA and Makita Corp. of America, according to court officials.

Judge John C. Coughenour in Seattle dismissed one of six charges against Makita brought by Trade Associates, Inc. of Kent, Wash. Coughenour then set a trial date for May 15.

In its $22.8 million claim against Makita, Trade Associates claims that Makita attempted to stop retailers and wholesalers from choosing the Trade Associates' lines and that Makita mislabeled products so as to lead consumers to believe products were American made.

Makita counsel Gerald Margolis was contacted and declined to comment further about the trial.

### Wickes sells its credit card subsidiary to company execs

SANTA MONICA, Calif.—Wickes Cos. said it will sell WCI Financial Corp., its credit card subsidiary, for about $300 million, to a corporation to be headed by two company executives.

The deal was set to close Nov. 30 and is separate from Wickes' previously announced acquisition by Blackstone Capital Partners L.P. and Wasserstein, Perella Partners L.P. (*NHCN*, Nov. 14).

WCI Financial provides private-label credit card programs for retail furniture stores including Wickes Furniture. WCI president James E. Neese and Wickes vp-treasurer Ervin J. Bolks organized the purchase.

### O'Malley reorganizes to focus on construction-related sales

PHOENIX — A reorganization of the O'Malley Cos., whose retail division operates 11 Building Materials Centers in Arizona and west Texas, will emphasize the company's focus on construction-related activities.

E. V. "Ted" O'Malley, president of the three-division business based here, said that the O'Malley chain of retail stores will continue to sell consumers as well as professionals, although "our long-term plan is to emphasize builders and industrial accounts."

In the short-term, he elaborated, O'Malleys has no plans to change the retail store's merchandise mix. O'Malleys operates retail, wholesale and contract-manufacturing divisions.

### New York investment group renews negotiations for Lloyds

STAMFORD, Conn.—Kidder Peabody, the New York-based investment group, is once again negotiating with American Maize Products to purchase its subsidiary, Lloyd Home & Building Centers.

Maureen Bailey, vp-public affairs for Kidder Peabody, said the company "was acting as financial advisor to an investor group" but declined to elaborate further because negotiations were still underway. (As of press time, Kidder Peabody still had no comment.)

Cynthia Brighton, spokesperson for American Maize Products, said the company, based here, stood by its Sept. 8 press release, which announced an offer from an unidentified investment group to acquire all of Lloyd's net assets for a price of $25 million in cash. This offer was subject to adjustment and the negotiation and execution of a definitive purchase agreement.

### TAPJAC president named to sit on board of wholesale co-op

CARTHAGE, Mo. — Bill Putnam Jr., president of the 14-store TAPJAC Home Centers, was elected to his first three-year term to the board of Hardware Wholesalers, Inc. (HWI). TAPJAC has been a member of HWI, a Fort Wayne, Ind.-based co-op distributor, since 1971.

Putnam, a member of the National Home Center Leadership Council, also announced the opening of the chain's 15th store in Golden, Mo. TAPJAC operates in Missouri and Arkansas.

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Available for calls 9-5:30 (E.S.T.)

# Zarkin to join newly spun off HomeClub in unnamed capacity

*By an NHCN staff editor*

FULLERTON, Calif. — Zayre Corp.'s restructuring move, in which it has spun off its warehouse chains HomeClub and BJ's Wholesale Club into a new company, will not change HomeClub's operations at headquarters here, company officials said.

Local management headed by president Sean Lee will remain in place, although the newly created warehouse company's leadership will include former HomeClub president Herb Zarkin.

After three months as executive vp of 348-unit Ames Discount Department Stores in Rocky Hill, Conn., (*NHCN*, Oct. 3), Zarkin has returned to Framingham, Mass., where Zayre is based.

At press time, Zarkin told *NHCN* his job title and assignment in the warehouse clubs company had not been finalized, but he will occupy a "full-time senior position."

For the third quarter ended Oct. 29, Zayre's warehouse clubs division posted $9.6 million in operating income on $414.4 million sales. The division consists of HomeClub, a 46-unit home improvement warehouse format, and 22-unit BJ's, which sells food and general merchandise.

The newly formed company, which remains unnamed, will be headed by president and ceo John Levy, formerly group officer in charge of the warehouse clubs division of Zayre.

Until last August, Zarkin was president of HomeClub. He transferred to Zayre headquarters to head its discount store division. Two months later the division was bought by Ames Department Stores. In early December, Ames said it would close 77 unprofitable stores after the winter holidays.

In a related move, Zayre is merging with its 83 percent owned subsidiary, TJX Companies, which consists of TJ Maxx, Hit or Miss and Chadwick's of Boston. When the merger is completed Zayre will change its name and company chairman Maurice Segall is expected to step down, but remain a director.

## *HomeClub's ad agency switches to major rival*

*By an NHCN staff editor*

FULLERTON, Calif. — Like a bad dream come true, HomeClub officials woke up one morning early this month to learn that their advertising agency had dropped them and switched to a major rival—The Home Depot.

Jack Roth, the president of Admarketing, said his Los Angeles-based ad firm would honor its existing contract with HomeClub through January and then change its affection and attention to the Atlanta-based chain.

HomeClub president Sean Lee said, "We'll review other agencies," but declined additional comment on the move. *The Los Angeles Times* reported that the 46-unit HomeClub's annual ad budget is about $15 million; the 92-unit Home Depot's account is said to equal $25 million.

Roth said his firm would represent The Home Depot nationally with the exception of a small portion of the country that would continue to be handled by the Depot's current agency, Atlanta-based M. Finkel & Associates.

Roth said "the number one consideration" in moving to Home Depot is that it is a "bigger account and makes economic sense." He said he has known Home Depot chairman and ceo Bernard Marcus since the 1970s, when his firm worked with Marcus during his tenure with the Handy Dan and Angels home-improvement chains.

*(Continued on page 38)*

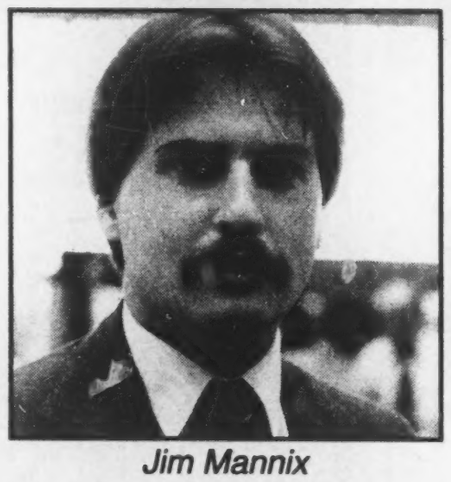
# Chase-Pitkin hit by deaths of two execs

*By an NHCN staff editor*

ROCHESTER, N.Y. — Chase-Pitkin was struck by the untimely deaths of two long-term executives last month.

Roger Anderson, director of distribution and special projects manager, died Nov. 10 after a two-year battle with cancer. Only one week later, Jim Mannix, the chain's director of merchandising, died unexpectedly from heart failure.

The two men were 12-year veterans with Chase-Pitkin.



Jim Mannix

Roger Anderson

"Both of these men were very important in the development of Chase-Pitkin and will be missed both professionally and personally," said the company's president, Steve Underwood, in a prepared statement.

Anderson, 51, who served part of his career with Chase-

*(Continued on page 38)*

# *Council urges worldwide DIY marketing*

*By an NHCN staff editor*

LINCOLNSHIRE, Ill. — Earlier this year, following a rash of home fires in London, U.S. manufacturers of battery-operated smoke detectors were besieged by the rise in demand for their product in the U.K., to the point where their inventory was virtually wiped out in 14 days.

"We had calls looking for 5,000- and 10,000-unit lots. They didn't care what the price was," explained Jack Gillis, export sales manager for Jameson Products, Dallas.

That example, while extreme, points up the kind of potential for exporting to Europe and Asia available to U.S. suppliers. And this was the focal point of a recent seminar conducted by the Worldwide DIY Council.

However, while council members heard of the possible export opportunities, they also heard that U.S. economic problems continue to obscure a rosier export picture.

Earl Johnson, vp of Chicago's Harris Bank and a foreign currency expert, told the audience here on Dec. 1 he anticipated slower U.S. GNP growth through 1989, with 4.5 percent inflation combined with a peak in interest rates within the next 90 days. U.S. exports could slow, he believes, as manufacturing is constrained by meeting the demand of domestic markets.

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# Perspectives

# THE HOMELESS

## *As problem worsens, retailers ponder industry's role*

By *NHCN* Staff

NATIONAL REPORT — Walt Benney, manager of Cash Bargain Lumber in Kansas City, Mo., admits that he used to be a "love-and-peace, '60s-type hippie."

But that was before some homeless projects in which his company participated backfired when an unscrupulous contractor misspent construction funds aimed at rehabbing dilapidated housing. Benney's altruism soured further when homeless people damaged houses Cash Bargain Lumber helped restore.

"I wish I could be more upbeat," Benney said. "But this is a problem that is going to take a long and serious effort. As a building materials retailer, I really don't think there is anything I can do to help solve such a complex, social problem."

But David Stanley, chairman of the 195-unit Payless Cashways, also based in Kansas City, argues the reverse. In fact, Stanley, who has a long personal history of working with charitable organizations, thought the home improvement industry could take a vanguard role in influencing public policy in the homeless issue as it pertained to substandard housing.

"I take the view that we, in the industry, [can] have much more influence on public policy than we exercise," he said. Stanley wasn't referring to street people. "When I think of homelessness, I think of [the] underhoused, or those who live in circumstances not tolerable."

Stanley recalled that in the late 1940s, Congress endorsed a national housing policy whose goal was to assure decent and affordable housing for all Americans.

"The extent [to which] that policy has been attained is shocking," he said."

This contrast in viewpoints embodies how home improvement retailers see their businesses' roles in ameliorating homelessness. Ostensibly, this industry, whose businesses depend on as many people as possible having shelter to improve upon, would seem to have the most to gain from leading the fight against homelessness.

But most industry officials don't see it this way. Their attitude towards the homeless, in fact, ranges from distanced interest to outright puzzlement about what dealers can to do to effect change even if they wanted to.

### Some dealers awaken to the problem

The level of destitution attendant to homelessness is beginning to force home improvement dealers to pay more attention to the issue, some for the first time.

"Driving through the city at night, especially the theater district, homeless people are everywhere," said Gary Kulick, president of The Strober Organization, based in Brooklyn and perhaps New York's most aggressive contractor-oriented chain. "I think it's going to be a more severe problem in the future."

Strober donates financially to such charities as the United Jewish Appeal and United Way. But Kulick admitted that, until being interviewed for this article, he had never contemplated his company's possible involvement in helping solve homelessness. "There has never been a business discussion, but I've never really looked at the question from the other direction," he conceded.

Other dealers, though, are less ambivalent and believe the time has come for the home improvement industry to take more of a socially responsible attitude toward the issue. Keith Hendee, director of corporate communications for Causeway Lumber, Fort Lauderdale, Fla., said that solution to homelessness is "the responsibility of any business, whatever type you are in."

Causeway Lumber recently furnished building materials at cost to a hospice center in Florida and donated money to Covenant House, a local shelter for homeless teenagers.

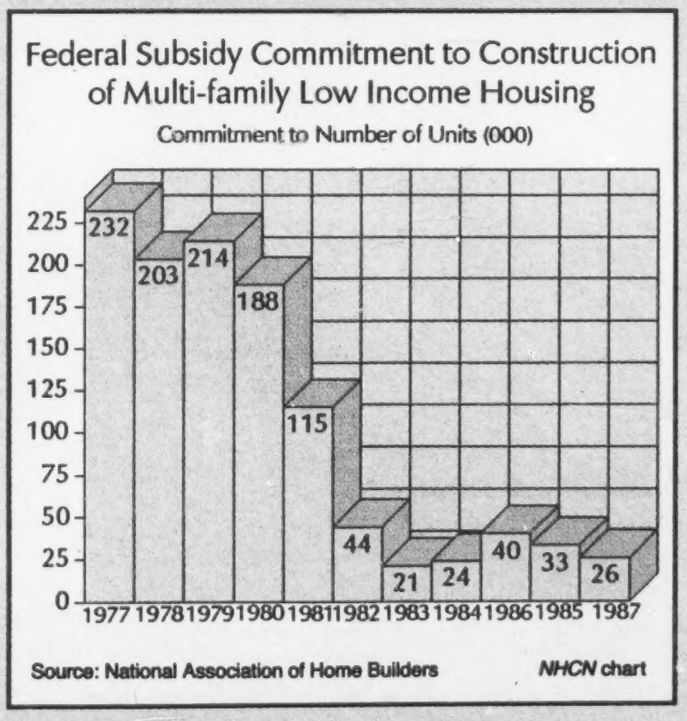
Stanley said Payless Cashways is one of some 40 industry retailers and suppliers that have invested $1 million in 1987 and 1988 to the National Equity Fund, which provides equity for low-income housing. Stanley chairs this group, which has helped rehabilitate 1,000 units in New York City alone and 700 to 800 outside New York, he said.

Another answer to the homeless crisis, whose roots are in poverty, is to produce more jobs for the poor, as Ron Brill, chief financial officer for The Home Depot in Atlanta, sees it.

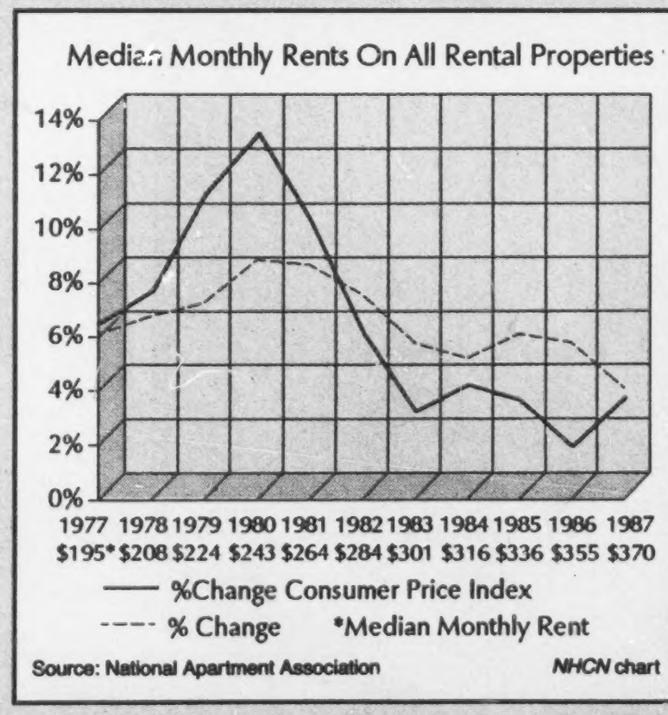
Brill, who said he was moved to action after watching a television documentary on the homeless, asked the 88-unit chain's personnel department why the company couldn't employ the homeless.

"If they didn't have drug or alcohol problems and can read, why couldn't we hire them?" Brill asked. "But it's a Catch-22: How do you hire somebody who doesn't have an address or a phone?"

*(Continued on page 17)*




The construction or rehabilitation of low-income multifamily dwellings that is funded through federal subsidies has plummeted from 1977 to 1987. The Department of Housing and Urban Development still subsidizes around 100,000 units annually, but around three-fifths are through vouchers to landlords to reduce rents, which addresses the affordability problem but not unit shortage.




Over the past decade, all rents nationwide have increased at an average annual rate of 6.6 percent, versus 6.5 percent for the Consumer Price Index. However, over the past five years monthly rents have been expanding at a faster clip than the CPI. Plus, the median annual household income for renters this year is only $15,100, versus $32,800 for home owners.

**PRICE DISTRIBUTION OF EXISTING SINGLE-FAMILY HOMES**

| Price range | Percentage of total existing homes Sept. 1988* | Sept. 1984 |
|---|---|---|
| $19,999 and under | 2.0% | 2.2% |
| $20,000-$29,999 | 2.6 | 3.8 |
| $30,000-$39,999 | 5.0 | 7.1 |
| $40,000-$49,999 | 7.2 | 10.5 |
| $50,000-$59,999 | 8.6 | 12.4 |
| $60,000-$69,999 | 9.3 | 11.9 |
| $70,000-$79,999 | 8.6 | 10.9 |
| $80,000-$89,999 | 7.9 | 8.7 |
| $90,000-$99,999 | 6.0 | 6.4 |
| **Total** | **57.2** | **73.9** |

*preliminary
Source: National Association of Realtors
*NHCN* chart

Homelessness is generally thought to be caused primarily by the severe cutback in low-income apartment construction over the past decade. But as the chart shows, the availability of low-cost, single-family housing is dwindling, partially due to inflation but also because of a shift in what's being built. In fact, the highest percentage of homes in 1984—12.4 percent—were in the $50,000 to $59,999 range; now they are in the $120,000 to $159,999 sector, representing 13.5 percent of the total.

Allen Johnson, Vince Edwards and Frank Murray share a "home" beneath a viaduct in downtown Chicago. The three have lived together, helping each other out, for six months. NHCN photo

# Faces of the homeless: Chicago trio ekes out a frugal existence

By Gary S. Ruderman

CHICAGO — Under the rusting metal stairs beneath the Lake Shore Drive Bridge at Illinois Street here is the mattress and pile of papers that three men call home.

It is shivering cold this December night. But whatever the weather, these men prefer this exposed shelter to any city-run or religiously operated cover. They join about 35,000 other homeless men and women on Chicago's streets each night, according to city officials.

It's a matter of pride among the three men to avoid shelters, explains Allen William Johnson, 42, their spokesman. Ironically, these men's "crib" is in the shadow of the city's Department of Health and Human Services building.

Johnson's shabby dress and scraggly beard are in sharp contrast to the lucidity with which he expresses himself. He's been on the streets "a couple of years." The only Chicago native among the three, he's a former building maintenance engineer. When he lost his job and went through his life savings and his rent money, he hit the streets.

Vincent Edwards, 29, from St. Paul, Minn., is the youngest of the men. Edwards lost track of family and vice versa. He's a trained diesel mechanic but chooses not to work. He doesn't say why.

All we know about Frank Murray, 46, is that he's from Brooklyn, N.Y.

They are living proof that the homeless here and around the country rarely fit the neat stereotype of being alcoholic or insane. The psychology and plight of the homeless are far more complex and indecipherable than that.

"I won't take welfare and I won't stay in one of the shelters," Johnson said. "People at the [missions] are crazy. You can't get inside until 10 p.m. They wake you up at 4 a.m. You get some cold oatmeal, warm tea and a donut the [Chicago] Blackhawks could use."

*(Continued on page 18)*

## Roots of the problem spread deep and wide

*The homeless problem encapsulates many of the ills the United States is struggling to cure in these austere times. And what makes homelessness so complicated is that its causes have so many roots:*

- **Replenishment:** Demolition, arson and gentrification are some of the factors contributing to the disappearance of existing low-income housing nationwide. For instance, the *Los Angeles Times* reports that the Community Redevelopment Agency, L.A.'s biggest builder of low-rent apartments, has put up 10,700 units in the past decade, but has demolished 11,240.
- **Economics:** The housing industry currently has the highest rate of bankruptcy of any business sector in the country. And the fragility of the housing market has been crystallized by the financial crisis that the savings and loan industry—one of the main sources of home financing—is experiencing.

Increasingly, builders are moving away from construction of low-income housing—with its minimal investment return and its "risky" tenants and home owners—and towards the building of high-end and luxury dwellings.

- **Tax reform:** Doug Diamond, an economist with the National Association of Home Builders (NAHB), notes that tax incentives for developers to build new low-income multifamily dwellings were all but eliminated by the Tax Reform Act of 1986.

The impact of this reform has yet to be felt, as over the next several years these same developers will be allowed—through a controversial provision known as "prepayment"—to raise rents on these units to market levels, which Diamond projects would make "tens of thousands" of units unaffordable for low-income people.

- **Urban neglect:** Since 1981, federal housing programs have been decimated by the Reagan Administration, which has slashed aid to cities by 78 percent. NAHB quotes statistics revealing that the U.S. Department of Housing and Urban Development's budget authority for housing programs dropped from $37.9 billion in 1978 to $15.4 billion in fiscal 1988.
- **Rent inflation:** Most experts see the homeless problem as one stemming from a shortage of low-income rental properties such as single-room occupancy (SRO) apartments. NAHB expects only 335,000 *total* multifamily unit starts in 1989 (down from 669,000 in 1985), and the greatest portion of these will charge monthly room rents beyond the reach of the poor and families and individuals living from paycheck to paycheck, particularly in the big urban centers.

Nationwide data from the National Apartment Association show that median monthly rents have risen 90 percent between 1977 and 1987 to $370. More important, renters spend 30 percent of their median household income per month on rent, a figure that rises to 56 percent for those with incomes under $10,000.

- **Poverty:** Despite the Reagan's Administration's "safety net" for the "truly disadvantaged," the Census Bureau estimates that 32.5 million people—13.5 percent of the total population—live below the poverty line, including 21 percent of all children.

# Retailers contemplate solutions to homeless problem

*(Continued from page 16)*

Answering his own question, Brill suggested that corporations that are serious about hiring the homeless might have to subsidize housing for impoverished workers until the employee become self-sufficient.

### Problem becoming more visible

That this issue strikes a responsive chord with dealers at all says much about the extent that the homeless crisis has permeated the American psyche. With the exception of the dual plagues of drugs and AIDS, no other issue has received the level of attention accorded the homeless, even though much of what has been written comes after nearly a decade of governmental and private-sector neglect.

Homelessness is unique because it is a visible manifestation of a fraying of the social fabric, a deterioration that most people would rather not witness: In New York last summer, the police were ordered to rid Tompkins Square Park of noisy vagrants and the homeless, a raid that turned into a riot; in Miami, police officials have asked the city council for authority to arrest anyone found sleeping in public, with the goal of keeping the homeless moving.

But this problem goes well beyond simply making street people disappear. In an era of shortages in apartments and affordable single-family homes, even people with jobs are skirting the barriers of homelessness. Los Angeles—a market possibly with more home centers than anywhere else in the country—is currently deemed "The Homeless Capital of America" after the *Los Angeles Times* reported that 42,000 families pay rent to live in garages because apartment rentals are out of reach.

### Still not a top priority

These and other similarly depressing data serve as a backdrop to the homeless army that is said to have anywhere from 300,000 to 3 million people in its ranks, and which could hit 18 million by the year 2000, according to a recently released study done by the *Harvard Business Review.*

Despite these projections, the majority of home improvement dealers contacted for this article did not think the home improvement industry was duty bound, by virtue of its reliance on housing, to help end homelessness. Indeed, most dealers agree with Lee Berger, president of Channel Home Centers, whose stores dot the Eastern Seaboard. Berger believes that there is little inherent relationship between the industry and the problem.

> "I wish I could be more upbeat, but this is a problem that is going to take a long and serious effort."
>
> —**Walt Benney,** *manager, Cash Bargain Lumber, Kansas City*

> "If they didn't have drug or alcohol problems, why couldn't we hire them? But . . . how do you hire somebody who doesn't have an address or a phone?"
>
> —**Ron Brill,** *cfo, The Home Depot*

"We haven't tied the homeless problem to the home center business," Berger said. He noted that the 170-unit chain regularly donates to the United Way and the Salvation Army.

Those charities are also supported by Erb Lumber, the chain based in the Detroit suburb of Birmingham, Mich. John Erb, its president, argues that the industry's fortunes will remain unscathed by a burgeoning homeless population as long as the number of people living in homes continues to rise.

"I guess you have to look at how many people are living in homes."

Even companies actively involved in certain programs question what home centers can accomplish in this area. Earlier this year HomeClub, the Fullerton, Calif.-based chain, donated $10,000 in building materials to help build a 16-unit, low-income housing project in Los Angeles. Yet its president, Sean Lee, contends that other social problems on the industry's agenda take precedence over the homeless.

"There are other areas of greater concern," said Lee. "For example, the education of the functionally illiterate and [the fight against] substance abuse.

"If we could correct these problems, it would improve the work ethic and avoid the homeless problem in the first place."

*This article was reported by Brad Altman, Tom Bagsarian, Edward McKinley and Milford Prewitt, and written by Mr. Prewitt.*

# Builders Square shuffles merchandising assignments

(Continued from page 1)

Builders Square executives did not return phone messages left by *NHCN*.

In reference to some recent personnel changes at Builders Square, Antonini said that additional manpower was necessary to "bring in merchandising and operations people from K mart" to help Builders Square founder Frank Denny.

Antonini was alluding to recently named Builders Square president and coo Glen R. Mielke, formerly a K mart vp for the southwestern region, who will report to Denny effective Jan. 1 (*NHCN*, Dec. 12). Denny was promoted to chairman and ceo.

**Profit in 1988 foreseen**

Mielke's name will ring some bells with industry executives who remember him as the liaison between K mart and Hechinger when the two companies were contemplating the development of a warehouse-store joint venture in 1984 that was to be called "Home Team," but which foundered because of management disagreements.

In comments to the Los Angeles Society of Financial Analysts in early December, Antonini said 1988 is "the first year" that Builders Square is "making a profit" on sales of approximately $1.2 billion.

"Frankly, our plans did not anticipate making a profit through 1987," he said, adding that "we are well aware of the concern in the financial community of our progress at Builders Square."

K mart acquired the company in September 1984 when it was a nine-unit chain.

After fast-track expansion, Builders Square has now slowed the pace to 15 new stores in 1988 compared with 32 new stores in 1987 and 56 in 1986. Antonini said 15 new stores are on the drawing board for 1989.

In Builders Square's merchandise management changes, Antonini said new assignments were made concurrent with Mielke's arrival in order to "be more in tune with the consumer and the contractor."

Builders Square veteran Jud Walford, who was executive vp-operations, has been reassigned to the post of executive vp in charge of merchandising and advertising. He reports to Mielke, according to a K mart spokesperson.

Frank Powers, formerly chief merchandising officer, is now executive vp-administration and store setup.

Other merchandising changes include the reassignment of Lyn Cornelius from vp-general merchandise manager of lumber and building materials to vp-gmm of hardlines, a position left vacant following the departure earlier this year of Bob Shaw, who went to Rickel Home Centers.

Builders Square employee Dyer Vann was named gmm of lumber and building materials. Vann had been a regional lumber buyer in Michigan prior to coming to the chain's headquarters.

As Builders Square chairman, Denny is overseeing the expansion of separate office supply and sporting goods warehouse ventures. Antonini said the Builders Square division was put in charge of the two because "administratively, it was possible to do it from San Antonio a bit faster than from Troy [Mich.]," K mart's headquarters.

He said the three businesses are "separate and distinct operating units." The general manager of each venture reports to Denny.

# Council pushes worldwide DIY marketing

(Continued from page 3)

Johnson added that the $2.6 trillion U.S. debt could pose a threat unless it is addressed within the first year of the next administration. A boost in interest rates to attract foreign capital could dampen any economic growth and quickly cut into housing starts.

The 81-member Worldwide DIY Council was formed 10 years ago to foster understanding of export and foreign markets among hardware manufacturers. It is limited to a maximum of 100 members.

A lecture on Asian markets was heavily attended.

"With the realities of today and the possibilities of tomorrow, plant seeds now [in the Far East] for future growth," explained Bill F. Funk, Far East area manager for American Tool, Lincoln, Neb.

While the market is huge—more than 55 percent of the world's population lives in the Far East—hardware stores are tiny compared to U.S. stores.

In just 72 square feet, "Chinese hardware stores look like small warehouses for both DIY and commercial accounts," Funk explained. This means there's no room for a vendor's POP merchandising.

Funk said the Far East is especially attractive with the lower dollar and higher overseas demand for hardware. Also, department stores charge full margin and hardware stores follow suit.

But there are hurdles. In addition to the cumbersome mechanics of distribution overseas and the ever-present threat of Japanese competitors, Funk said some markets, such as Taiwan and Singapore, have a cultural aversion to DIY. (They consider it a loss of face to do manual labor, Funk said.)

The conference said that American manufacturers must target products for the Asian markets that accommodate smaller hands and smaller dwellings with less storage room. Pricing must take into account that in the Philippines, for example, employees must work five days simply to buy U.S.-made locking pliers.

And while each of the Asian countries had pluses, Funk suggested that the council members steer clear of the four most populous countries: China, India, Bangladesh and Pakistan. He said there is low demand for DIY products there, and this, combined with payment problems, makes these markets less desirable.

The U.K. market has undergone a radical change in the last 18 years, according to Barry Digby, publisher of Britain's *DIY Superstore*. In the 1970s, small, independent hardware dealers "held a virtual stranglehold" on hardware sales. "That's been whittled down to just 15 percent," explained Digby.

The number of so-called superstores, analogous to large, U.S. home center chains, grew more than 18 percent in the last year alone

Of interest to most of the 75 people in attendance was the scheduled "harmonization" of European markets in 1992.

Dr. Debra Miller, an economist with the U.S. Commerce Department's international trade office, explained that countries within the European Economic Community (EEC) will drop all non-tariff barriers between members, creating a unified $4 trillion, 320-million-person market.

Because of the 1992 changes, Miller speculated, U.S. exports to the EEC could increase 40 percent from the 1987 level of $400 billion.

One aspect of the 1992 harmonization will be the international standardization of a number of products, most likely hardware among them.

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# Chase-Pitkin hit by deaths of two execs

(Continued from page 3)

Pitkin's parent, Wegman's, was responsible for all warehousing and distribution. His special projects included organizing the chain's annual consumer shows.

Mannix, 33, was responsible for the procurement and marketing of all merchandise for the 12-unit chain. At various times during his career, he has been the buyer for lumber, building materials, ceilings, hardlines and millwork.

Underwood told *NHCN* that Mannix had been out shopping with his family when he felt a pain in his arm. He checked into a hospital, which did a number of tests and told Mannix he was all right.

Despite that diagnosis, he suffered a heart attack and died only hours later in his home.

Mannix is survived by his wife, Kathy; his daughter, Kari, and his son, James Jr. Anderson is survived by his wife, Barbara; his sons, Gene, David, and Patrick, and his daughter Melanie.

Underwood said on Dec. 9 that no one has been named to replace either man, and that he had assumed most of the operational responsibilities in the interim. "We're disposed to leave the positions open for a while and then decide what we want to do," he said.

# HomeClub's ad agency switches to major rival

(Continued from page 3)

Former HomeClub president Herb Zarkin contracted with Admarketing two years ago to fashion a television campaign that featured the theme, "At the HomeClub, you save on everything every day." The TV spots occasionally compared HomeClub's prices with Home Depot's, and the comparisons always put HomeClub on top.

Asked what creative strategy his firm would employ for Home Depot, Roth said, "We haven't worked on any plans. We don't want to be duplicitous."

Before joining HomeClub, Admarketing was the ad agency for Standard Brands Paint Co., the Torrance, Calif.-based specialty paint chain.

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